

UTAH STATE REVOLVING FUND

Annual Report

FISCAL YEAR 2004



Governor Olene Walker and Shelly Quick demonstrates environmental issues on a surface water model during 'Agricultural Days' in Salt Lake City, UT.

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Executive Summary

The Utah State Water Quality Revolving Fund (the SRF) was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans to finance the construction of publicly owned water quality preservation and protection facilities.

The Utah Department of Environmental Quality (DEQ) through the Division of Water Quality administers the SRF. The Utah Water Quality Board (the Board), an eleven-member board of officials appointed by the Governor, develops administrative rules for program implementation and authorizes loans under the SRF. The Division of Water Quality's primary SRF activities include administering loans for water quality preservation and protection facilities and managing and coordinating the fund.

The Division of Water Quality serves as staff for the Board and manages the day-to-day activities of the SRF. The Division of Water Quality receives assistance and support from the Department of Environmental Quality's Office of Support Services, the State Division of Finance, the Attorney General's Office and the State Treasurer's Office. The salaries and benefits of the DEQ employees, as well as indirect costs based on direct salary costs, are charged to the SRF. Employees charging time to the SRF are covered by the State of Utah personnel benefits plan. The SRF is also charged State indirect costs through a cost allocation plan for general state expenses.

Beginning in fiscal year 1993, Utah established a Hardship Grant Program with the approval of the Environmental Protection Agency. This program was funded in part from hardship grant assessment fees on SRF loans in lieu of interest. Hardship grant assessment fees are stripped from repayments and deposited in a special Hardship Grant Fund outside of the SRF. The monies deposited in the Hardship Grant Fund can then be used to provide grant money to communities that would otherwise be financially unable to participate in the SRF loan program. Hardship grant assessments, grants, and Hardship Grant Fund interest earnings are accounted for in the following SRF financial statements. Beginning with all loans closed after July 1, 1999, hardship grant assessments are used in accordance with EPA policies and regulations.

Utah also operates a State loan program. This program provides Utah the flexibility to fund needed water quality projects without certain restrictions that accompany the SRF program. State match funds for the SRF have been generated from the State loan program.

Mission Statement

The mission of the Department of Environmental Quality is to safeguard human health and quality of life by protecting and enhancing the environment.



Goals and Accomplishments

The SRF has provided financial assistance to communities for wastewater facilities. Efforts are beginning to expand the type of projects that will be funded in the future. Projects that preserve and protect the quality of water in Utah will be considered for financial assistance without limiting those projects to treatment of municipal waste.

Long-term Program Goals:

Goal #1 - Provide a permanent source of funding that can be used in combination with financing from the community's own resources and other funding sources to assist in financing water quality construction projects.

The SRF is Meeting Goal #1

- All projects that have been or will be funded from the SRF will receive loans, which require an annual repayment of principal. The fund balance has been increasing steadily since the fund was established. There is good reason to believe that the fund will continue to generate a repayment stream that will fund projects in the years to come.

Goal #2 - Evaluate environmental needs within the state in order to rate specific needs for water quality construction and allow SRF funds to be distributed in a priority manner to the most environmentally needy projects.

- All projects that received or are planned to receive loans from the SRF are high priority projects that meet a critical need as defined by the Utah State Project Priority System.

Goal #3 - Evaluate economic needs of the communities determined to have environmental needs for water quality construction projects. The State considers offering financial assistance that provides sufficient and affordable project funding to communities and maximizes its use of the SRF fund in perpetuity.

- The SRF balances the environmental and economic need for funds and continues the source of funding for the program. A financial feasibility review is performed before a project is authorized for a SRF loan. This review evaluates the rate of interest that an entity can afford to pay and its ability to repay a loan. Unless the entity is determined capable of repaying the loan, an authorization is not made.

The Hardship Grant Program was created specifically to provide funding for projects that would not be able to proceed due to financial reasons.

- The Water Quality Board assists communities addressing needs for adequate wastewater facilities and recognizes that these facilities must be sized for future growth. When helping communities provide wastewater infrastructure for existing and future users, the Board should be satisfied that proper and adequate planning has taken place so that environmental and quality of life problems associated with sprawl are not fostered by its funded projects.

Short-term Program Goals:

Goal #1 - Assist communities with funding during facility planning and application preparation and authorize earmarked projects for funding in the Intended Use Plan.

- Each community in the IUP received facility planning and funding application preparation assistance.

Goal #2 - Assist communities receiving SRF funding throughout construction and beyond.

- The Division of Water Quality assists communities that receive funding from the SRF with design review and guidance through construction. When construction is complete the community receives continual assistance with operation and maintenance of its facility.

Details of Accomplishments

Fund Financial Status

The State Revolving Fund receives Capitalization Grants from EPA and obligates state matching funds in an amount greater than 20% of the grant.

The fund grows with revenues from interest on loans and interest earned on invested funds. The net income from fund activities continues to increase and the fund balance is increasing steadily.

The Statement of Revenues, Expenses, and Changes in Net Assets appear in the financial report section of this report.

Assistance Activity

Fifty-eight loans have been closed. All projects have begun construction and fifty-two of the projects have completed construction. (See Table 1 for details.)

Provisions of the Operating Agreement/Conditions of the Grant

The State of Utah agreed to twenty-three conditions in the Operating Agreement. Twelve conditions have been met and need no further description. The following met conditions in the Operating Agreement are as follows:

1. Agreement to Accept Payments
2. State Laws and Procedures
3. State Accounting and Auditing Procedures
4. Recipient Accounting and Auditing Procedures
5. Use of the LOC
6. Repayments
7. Annual Audit
8. Annual Report
9. Annual Review
10. Anti-lobbying
11. Drug Free Workplace
12. Rural Area Business Enterprise Development Plan

The remaining eleven conditions have been met, as described in the Operating Agreement, and are described below:

13. Provide State Match - State matching funds have either been added to the fund or committed to the SRF in the amount required by the Clean Water Act. State match funds are available from the Utah Wastewater Project Assistance Program.
14. Binding Commitments Within One Year - The Utah State Revolving Fund has exceeded the program requirement for binding commitments equal to 120% of the grant amount within a year after receiving payments.
15. Expeditious and Timely Expenditure - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. (See Table 1 & Table 2 for details.)
16. First Use For Enforceable Requirements - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 602(b)(5) of the Clean Water Act. This section requires that all funds as a result of the Capitalization Grant be used first to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.
17. Eligible Activities of the Fund - All of the projects, which have received SRF loans, have either expended loan proceeds for eligible costs or used “banked equivalency”.
18. Compliance With Title II Requirements - In accordance with Section 602(6) of the Clean Water Act the SRF is required to meet sixteen specific Title II “equivalency” requirements

for those Section 212 wastewater treatment projects constructed in whole or part before October 1, 1994, with funds “directly made available “by the Capitalization Grant. The State has met equivalency requirements up to October 1, 1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.

19. MBE/WBE Requirements - The State negotiated with Region VIII fair share utilization goals for participation on activities financed by the SRF. During the state fiscal year the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.
20. Other Federal Authorities - The State and all recipients of SRF funds directly made available by the Capitalization Grant have complied with applicable federal authorities. Recipients of SRF assistance agreed to do this as a condition of the bond agreement between the loan recipient and the State.
21. State Environmental Review Process - During the fiscal year the State was actively involved assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
22. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the federal Letter of Credit (LOC) and from the state match for projects and administration for the fiscal year.
23. Outlay Projections - The FY04 IUP projected draws from the federal LOC equal to \$4,599,000. During fiscal year 2004 a total \$1,615,507 was actually drawn - the actual was approximately 35% of the projected amount. The reasons for the monetary projection to actual changes are as follows:
 - Fairview City’s actual draw amount was lower than the projected due to excess funds provided by other partnering funding agencies.
 - West Point City, an authorized loan recipient, declined on its loan.
 - Nibley City was not anticipated to receive a binding commitment in FY04, however this community did proceed forward.

Current Status and Proposed Improvements

The State Revolving Fund has grown into a permanent source of financial assistance for construction of water quality projects in the State of Utah. The fund balance has been growing steadily since the fund was first established.

There are many water quality projects every year in Utah that do not receive funding directly from the SRF. Utah encourages self-reliance to the communities through prudent planning and cooperative efforts for other sources of available financial assistance.

Many of the larger wastewater treatment facilities in high population areas of the State have developed their own sources of financing wastewater facilities construction without the benefits of the State Revolving Fund. Medium-sized communities rely heavily on the SRF to provide additional assistance needed to make wastewater treatment affordable to their citizens. Communities with small populations use the Rural Development Administration and the Utah Permanent Community Impact Board in combination with the Utah Wastewater Project Assistance Program for loans and grants to allow for affordability of their wastewater projects.

Management

The Utah Water Quality Board governs the State Revolving Fund, sets policy, and authorizes assistance. The Construction Assistance Section of the Water Quality Division manages the State Revolving Fund.

UTAH STATE REVOLVING FUND - ACCOMPLISHMENTS to 6/30/04																			
PROJECT IDENTIFICATION																			
Recipient Name	Project Number	Type*	%	Hardship Assmt	Term	Need	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned
Project Name	Project Number	Type*	%	Assmt	Term	Need	Loan Amount	Amount	Commitment	Start	Start	Start	Start	Start	Start	Start	Start	Start	Start
Project Name	Project Number	Type*	%	Assmt	Term	Need	Loan Amount	Amount	Commitment	Start	Start	Start	Start	Start	Start	Start	Start	Start	Start
Smithfield City	C490283	101	L	0.00%	20 yrs	IVa&b	3,630,300	3,630,300	May-88	Aug-88	Jun-88	Aug-88	Jun-88	Aug-88	Jun-88	Aug-88	Jun-88	Aug-88	Jun-88
South Davis SID - North	C490275	102	L	3.00%	20 yrs	I	4,498,440	4,498,440	Jan-89	Jan-89	May-88	Sep-88	May-88	Sep-88	May-88	Sep-88	May-88	Sep-88	May-88
Central Davis SID - Ph 4	C490285	103a	L	3.00%	20 yrs	I	1,250,000	1,250,000	Aug-88	Aug-88	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88
Providence City	C490292	104	L	0.00%	18 yrs	IVa & b	3,500,000	3,500,000	Sep-89	Sep-89	Sep-89	Nov-90	Sep-89	Nov-90	Sep-89	Nov-90	Sep-89	Nov-90	Sep-89
Solitude ID Phase I	C490298	105	L	0.00%	20 yrs	IVb	3,200,000	2,993,000	Sep-89	Sep-89	Sep-89	Apr-90	Sep-89	Apr-90	Sep-89	Apr-90	Sep-89	Apr-90	Sep-89
Central Davis SID - Ph 5&6	C490285	103b	L	3.00%	20 yrs	I	1,150,000	1,150,000	Aug-88	Aug-88	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88
Central Davis SID - Ph 5&6	C490283	108	L	5.00%	20 yrs	I	500,000	850,000	Mar-90	Mar-90	Apr-90	Jan-91	Mar-90	Jan-91	Apr-90	Jan-91	Mar-90	Jan-91	Apr-90
South Davis SID - North	C490275	107	L	5.00%	20 yrs	I	4,300,000	4,205,000	Feb-90	Feb-90	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88	Feb-89	Aug-88
Solitude ID (phase II & III)	C490298	112	L	0.00%	20 yrs	IVb&IVa	1,300,000	2,376,716	Mar-91	Mar-91	May-91	Jan-93	May-91	Jan-93	May-91	Jan-93	May-91	Jan-93	May-91
Hyde Park City	C490301	106	L	0.00%	18 yrs	IV b	1,750,000	800,000	Dec-91	Dec-91	Sep-91	Jan-92	Sep-91	Jan-92	Sep-91	Jan-92	Sep-91	Jan-92	Sep-91
South Weber City	C490300	114	L	0.00%	20 yrs	IVb&IVa	3,006,000	3,056,000	Mar-92	Mar-92	May-92	Sep-95	May-92	Sep-95	May-92	Sep-95	May-92	Sep-95	May-92
South Davis SID - South	C490275	115	L	4.00%	20 yrs	I	3,441,000	4,475,000	Sep-92	Sep-92	Aug-92	Oct-92	Aug-92	Oct-92	Aug-92	Oct-92	Aug-92	Oct-92	Aug-92
Aurora City	C490309	119	L	0.00%	20 yrs	IVb,IVa&I	965,000	965,000	May-93	May-93	Jul-93	Nov-93	Jul-93	Nov-93	Jul-93	Nov-93	Jul-93	Nov-93	Jul-93
Timpanogos SD (sludge)	C490330	125	L	3.50%	10 yrs	II	1,300,000	1,300,000	Jun-93	Jun-93	Jul-93	Dec-93	Jul-93	Dec-93	Jul-93	Dec-93	Jul-93	Dec-93	Jul-93
St George City	C490320	123	L	3.50%	20 yrs	I	4,000,000	4,000,000	Dec-93	Dec-93	Feb-94	Nov-94	Feb-94	Nov-94	Feb-94	Nov-94	Feb-94	Nov-94	Feb-94
Santaquin City	C490306	109	L	0.00%	20 yrs	IVb,IVa&I	2,307,000	1,307,000	Dec-93	Dec-93	May-94	Apr-94	May-94	Apr-94	May-94	Apr-94	May-94	Apr-94	May-94
Orem City	C490317	128	L	0.00%	3.50%	I	3,500,000	3,500,000	Feb-94	Feb-94	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94
North Davis Co. SID	C490328	126	L	0.00%	20 yrs	II	4,000,000	4,000,000	Dec-93	Dec-93	Jan-94	Aug-94	Jan-94	Aug-94	Jan-94	Aug-94	Jan-94	Aug-94	Jan-94
Snyderville Basin SID	C490313	122	L	0.00%	20 yrs	I	2,500,000	2,500,000	Mar-94	Mar-94	Oct-95	Aug-94	Oct-95	Aug-94	Oct-95	Aug-94	Oct-95	Aug-94	Oct-95
Magna ID	C490325	132	L	0.00%	20 yrs	IVb, I	2,320,000	2,320,000	Feb-94	Feb-94	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94	Sep-95	Mar-94
Timpanogos SD	C490332	135	L	0.00%	20 yrs	II	2,900,000	2,900,000	Jul-94	Jul-94	Jul-94	Oct-95	Jul-94	Oct-95	Jul-94	Oct-95	Jul-94	Oct-95	Jul-94
Cedar City	C490305	117	L	0.00%	20 yrs	I,II & IVb	12,010,000	12,010,000	Aug-94	Aug-94	Apr-94	Sep-94	Apr-94	Sep-94	Apr-94	Sep-94	Apr-94	Sep-94	Apr-94
Provo City	C490323	131	L	0.00%	7 yrs	II	1,185,000	1,185,000	Dec-94	Dec-94	Jul-95	Feb-96	Jul-95	Feb-96	Jul-95	Feb-96	Jul-95	Feb-96	Jul-95
Jordanville SAD	C490322	130	L	0.00%	10 yrs	IVb	2,137,000	2,736,000	Dec-94	Dec-94	May-95	Jul-97	May-95	Jul-97	May-95	Jul-97	May-95	Jul-97	May-95
Midway Sanitation District	C490333	113	L	0.00%	10 yrs	IVb	0	151,000	Dec-94	Dec-94	May-95	Jul-97	May-95	Jul-97	May-95	Jul-97	May-95	Jul-97	May-95
Mapleton City	C490294	116	L	0.00%	20 yrs	IVa & IVb	4,320,500	6,330,000	May-94	May-94	Jun-95	Dec-96	Jun-95	Dec-96	Jun-95	Dec-96	Jun-95	Dec-96	Jun-95
Snyderville Basin SID	C490313	134	L	5.00%	15 yrs	II	1,500,000	1,500,000	Jul-95	Jul-95	Jul-96	Aug-97	Jul-96	Aug-97	Jul-96	Aug-97	Jul-96	Aug-97	Jul-96
Grantville City	C490289	124	L	0.00%	20 yrs	I	3,287,000	3,278,000	Jul-95	Jul-95	Sep-94	Sep-95	Sep-94	Sep-95	Sep-94	Sep-95	Sep-94	Sep-95	Sep-94
Moab City	C490324	129	L	0.00%	10 yrs	I	1,821,000	1,725,542	Apr-96	Apr-96	May-96	May-98	May-96	May-98	May-96	May-98	May-96	May-98	May-96
Highland City	C490340	144	L	0.00%	20 yrs	IVa & b	2,500,000	2,176,000	Apr-97	Apr-97	May-97	Apr-98	May-97	Apr-98	May-97	Apr-98	May-97	Apr-98	May-97
Central Davis Co. SD	C490336	140	L	0.00%	4.50%	I	5,100,000	5,100,000	Jul-97	Jul-97	Aug-97	Aug-97	Aug-97	Aug-97	Aug-97	Aug-97	Aug-97	Aug-97	Aug-97
St. George City	C490335	138	L	0.00%	20 yrs	I&II	12,000,000	12,000,000	Sep-97	Sep-97	Oct-97	Sep-99	Oct-97	Sep-99	Oct-97	Sep-99	Oct-97	Sep-99	Oct-97
Mapleton City	C490294-02	143	L	0.00%	20 yrs	IVa&b	0	2,990,000	Dec-97	Dec-97	Jul-95	Dec-96	Jul-95	Dec-96	Jul-95	Dec-96	Jul-95	Dec-96	Jul-95
Tooele City	C490303	111	L	0.00%	20 yrs	I & II	7,570,000	7,570,000	Sep-97	Sep-97	Oct-97	Jan-98	Oct-97	Jan-98	Oct-97	Jan-98	Oct-97	Jan-98	Oct-97
Washington City	C490319	213	L	0.00%	20 yrs	IVb&IIIIa	3,356,000	3,356,000	May-99	May-99	Jun-99	Jun-99	Jun-99	Jun-99	Jun-99	Jun-99	Jun-99	Jun-99	Jun-99
Ephraim City	C490273	212	L	0.00%	20 yrs	I	2,100,000	2,100,000	Sep-99	Sep-99	Oct-99	Dec-00	Oct-99	Dec-00	Oct-99	Dec-00	Oct-99	Dec-00	Oct-99
Minersville City	C490321	209	L	0.00%	20 yrs	I	525,000	525,000	Sep-99	Sep-99	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99
Escalante City	C490347	214	L	0.00%	20 yrs	I	563,000	563,000	Oct-99	Oct-99	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99	Mar-00	Oct-99
Richfield City	C490355	204	L	0.00%	20 yrs	IIIIb	4,000,000	4,000,000	Nov-99	Nov-99	Jan-99	Jan-99	Jan-99	Jan-99	Jan-99	Jan-99	Jan-99	Jan-99	Jan-99
Price River WID	C490354	145	L	4.00%	Jun-00	I	1,000,000	1,000,000	May-00	May-00	Jun-00	Jun-00	Jun-00	Jun-00	Jun-00	Jun-00	Jun-00	Jun-00	Jun-00
Green River City	C490329	110	L	0.00%	20 yrs	IIIIb	870,000	870,000	Jun-00	Jun-00	Jul-00	Jul-00	Jul-00	Jul-00	Jul-00	Jul-00	Jul-00	Jul-00	Jul-00
Salina City	C490348	211	L	1.00%	20 yrs	IIIIb & IVb	2,750,000	2,725,000	Mar-00	Mar-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00
Salina City (increase)	C490348	218	L	1.00%	20 yrs	IIIIb & IVb	400,000	400,000	Mar-00	Mar-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00	Sep-00	Apr-00
Snyderville Basin (PR)	C490334	146	L	2.00%	10 yrs	I	4,000,000	4,190,000	May-00	May-00	Nov-00	Feb-01	Nov-00	Feb-01	Nov-00	Feb-01	Nov-00	Feb-01	Nov-00
Sunnyside City	C490356	154	L	0.00%	20 yrs	IIIIb	635,000	635,000	Apr-01	Apr-01	Apr-01	May-01	Apr-01	May-01	Apr-01	May-01	Apr-01	May-01	Apr-01
West Haven SD	C490326	210	L	0.00%	20 yrs	IVb	6,536,000	6,536,000	Sep-00	Sep-00	Nov-99	May-01	Nov-99	May-01	Nov-99	May-01	Nov-99	May-01	Nov-99
Hildale City	C490310	118	L	0.00%	20 yrs	I & IVb	1,585,000	1,585,000	Jul-01	Jul-01	Aug-01	Sep-01	Aug-01	Sep-01	Aug-01	Sep-01	Aug-01	Sep-01	Aug-01
Payson City	C490333	148	L	4.00%	20 yrs	I	8,479,000	7,479,000	May-01	May-01	May-01	Sep-01	May-01	Sep-01	May-01	Sep-01	May-01	Sep-01	May-01
Bear Lake SSD	C490312	220	L	0.00%	25 yrs	I	2,230,000	2,230,000	Jul-02	Jul-02	Jul-02	Sep-03	Jul-02	Sep-03	Jul-02	Sep-03	Jul-02	Sep-03	Jul-02
Beaver City	C490357	217	L	0.00%	20 yrs	I & IVb	2,950,000	2,050,000	Oct-01	Oct-01	Oct-01	Feb-02	Oct-01	Feb-02	Oct-01	Feb-02	Oct-01	Feb-02	Oct-01
Oakley City	C490360	221	L	0.00%	20 yrs	I	400,000	400,000	Jun-02	Jun-02	May-02	Jun-02	May-02	Jun-02	May-02	Jun-02	May-02	Jun-02	May-02
South Salt Lake City	C490369	202	L	0.00%	20 yrs	I	1,200,000	1,230,000	May-03	May-03	Jun-03	Jun-03	Jun-03	Jun-03	Jun-03	Jun-03	Jun-03	Jun-03	Jun-03
Central Davis County SD	C490386	156	L	1.90%	20 yrs	IVa & b, I	2,700,000	2,700,000	Jun-03	Jun-03	Oct-02	Jun-05	Oct-02	Jun-05	Oct-02	Jun-05	Oct-02	Jun-05	Oct-02
North Davis Sewer District	C490318	157	L	2.74%	20 yrs	I, II	20,000,000	20,000,000	Jun-03	Jun-03	Oct-03	Jun-05	Oct-03	Jun-05	Oct-03	Jun-05	Oct-03	Jun-05	Oct-03
Mapleton City	C490388	160	L	2.00%	20 yrs	I	1,100,000	1,100,000	Sep-03	Sep-03	Jul-04	Jul-04	Jul-04	Jul-04	Jul-04	Jul-04	Jul-04	Jul-04	Jul-04
Nibley City	C490339	142	L	0.00%	30 yrs	IIIIa & IVb	6,054,000	7,739,000	Jul-01	Oct-03	Aug-01	Mar-03	Aug-01	Mar-03	Aug-01	Mar-03	Aug-01	Mar-03	Aug-01
Hyrum City	C490368	209	L	1.30%	20 yrs	I	4,220,000	4,220,000	Aug-03	Dec-03	Aug-03	Aug-03	Aug-03	Aug-03	Aug-03	Aug-03	Aug-03	Aug-03	Aug-03
North Fork SSD	C490365	227	L	3.00%	20 yrs	IVa	1,640,000	1,640,000	Nov-03	Dec-03	May-04	Jul-05	May-04	Jul-05	May-04	Jul-05	May-04	Jul-05	May-04
Fairview City	C490327	120	L	0.00%	30 yrs	IVa, IVb, I	1,600,000	2,400,000	Feb-04	Feb-04	Mar-04	Mar-04	Mar-04	Mar-04	Mar-04	Mar-04	Mar-04	Mar-04	Mar-04
Dale Gubler	N002		L	0.00%	12 yrs	NPS	43,838	43,838	Jan-04	Jan-04	Jul-03	Jan-04	Jul-03	Jan-04	Jul-03	Jan-04	Jul-03	Jan-04	Jul-03
Twin Creeks SSD	C490387	240	L	0.00%	20 yrs	IVa	418,000	487,000	Aug-03	Aug-03	Sep-03	Mar-04	Sep-03	Mar-04	Sep-03	Mar-04	Sep-03	Mar-04	Sep-03

UTAH SRF - Cash Draw Schedule SFY 2004

Table 2

Recipient Name	EPA Project Number	State Project Number	First ♣ Second ♦	Water Quality Loan Assistance Amount	Draw Amount	Binding Commitment	Construction Start	Construction Complete (CP)	SFY 2004 Jul-Sep 1 Qtr	SFY 2004 Oct-Dec 2 Qtr	SFY 2004 Jan-Mar 3 Qtr	SFY 2004 Apr-Jun 4 Qtr	TOTAL
Bear Lake SSD	C490312	220	♣	2,230,000	1,600,000	Sep-01	Aug-03	Dec-03	1,000,000	600,000			1,600,000
*Central Davis SD	C490386	156	♦	2,700,000	200,000	Oct-02	Jun-03	Jun-05	200,000				200,000
Hyrum City	C490368	209	♦	4,220,000	4,220,000	Dec-03	Aug-03	Dec-05		4,220,000			4,220,000
Nibley City	C490339	142	♣	7,739,000	7,739,000	Oct-03	Mar-03	Aug-03			275,000		275,000
Fairview City	C4902327	120	♣	2,400,000	100	Jan-04	Feb-04	Mar-04			100		100
Dale Gubler	N002		♦	43,838	43,838	Jan-04	Jul-03	Jan-04			43,838		43,838
Mapleton City	C490388	160	♦	1,100,000	1,100,000	Sep-03	Jul-04	Jun-04			1,100,000		1,100,000
North Davis SD	C490318	157	♦	20,000,000	4,000,000	Jun-03	Jul-04	Jun-06				4,000,000	4,000,000
Twin Creeks SSD	C490387	240	state	487,000	479,961	Jan-04	Mar-04				57,608	422,354	479,961
Administration									11,693	41,100	28,500	41,398	122,691
TOTAL				40,919,838	19,382,899				1,211,693	4,861,100	1,505,046	4,463,752	12,041,590
Federal LOC									811,693	516,120	246,296	41,398	1,615,507
SRF Repaymt Fund									0	4,195,737	1,201,446	4,422,354	9,819,536
State Match									400,000	149,243	57,304	0	606,547

*Central Davis SD received a draw from the SRF in error on August 28, 2003

UTAH STATE REVOLVING FUND

FINANCIAL STATEMENTS

FISCAL YEAR 2004

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Net Assets
June 30, 2004

ASSETS	Water Loan Fund	Hardship Fund	Total
Current Assets:			
Cash & Cash Equivalents	\$39,328,526	\$6,278,105	\$45,606,631
Receivables:			
Amount Due from EPA	7,698		7,698
Loan Interest	313,257		313,257
Hardship Assessments		650,260	650,260
Accounts Receivable	78,263		78,263
Loans Receivable (Note 4)	8,039,941		8,039,941
Total current assets	47,767,685	6,928,365	54,696,050
Noncurrent Assets:			
Accounts Receivable	15,187		15,187
Loans receivable	108,183,107		108,183,107
Total Noncurrent Assets	108,198,294	0	108,198,294
Total Assets	\$155,965,979	\$6,928,365	\$162,894,344
LIABILITIES			
Current Liabilities:			
Due to State	101,148		101,148
NET ASSETS			
Unrestricted Net Assets:	\$155,864,831	\$6,928,365	\$162,793,196

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2004

	Water Loan Fund	Hardship Fund	Total
OPERATING REVENUES			
Interest on Loans	\$691,203	\$0	\$691,203
Hardship Assessments		1,537,904	1,537,904
Late Fees	4,161		4,160.77
Charges for Services	67,730		67,730
EPA - Grant Administration	122,691		122,691
Total Operating Revenues	885,785	1,537,904	2,423,689
OPERATING EXPENSES			
Program Administration	122,691		122,691
Project Administration	67,730		67,730
Total Operating Expenses	190,421	0	190,421
Operating Income	695,364	1,537,904	2,233,268
NON OPERATING REVENUES			
Investment Income	580,440.95	75,621	656,062
Federal Grants	1,492,816		1,492,816
Utah State Match	606,547		606,547
Total Nonoperating Revenues	2,679,804	75,621	2,755,425
Change in Net Assets	3,375,168	1,613,525	4,988,693
Net Assets - Beginning	152,489,664	5,314,840	157,804,504
Net Assets - Ending	\$155,864,831	\$6,928,365	162,793,196

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Cash Flows
For the Fiscal Year Ended June 30, 2004

	Water Loan Fund	Hardship Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Loan Payments	\$12,501,847		\$12,501,847
Disbursement of New Loans	(11,918,899)		(11,918,899)
Receipts from loan Interest and Penalties	693,636		693,636
Receipts from loan Hardship Assessment		1,558,355	1,558,355
Grant Awards	118,100		118,100
Program Administration	(118,100)		(118,100)
Charges for Services	57,495		57,495
Project Administration	(57,495)		(57,495)
Net Cash Provided by/(Used by) Operating Activities	1,276,583	1,558,355	2,834,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from EPA	1,492,816		1,492,816
Receipts from State of Utah	606,547		606,547
Net Cash Provided by Noncapital Financing Activities	2,099,363	0	2,099,363
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Investments	580,441	75,621	656,062
Net Cash Provided by Investing Activities	580,441	75,621	656,062
Increase in Cash and Cash Equivalents	3,956,387	1,633,976	5,590,363
Cash and Cash Equivalents, Beginning of Year	35,372,139	4,644,129	40,016,268
Cash and Cash Equivalents, End of Year	39,328,526	6,278,105	45,606,631
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	695,364	1,537,904	2,233,268
Net Changes in Assets and Liabilities:			
(Increase)/Decrease in Loan Interest Receivable	(1,728)		(1,728)
(Increase)/Decrease in Hardship Assessment Receivable		20,451	20,451
(Increase)/Decrease in Receivables from EPA	(4,591)		(4,591)
(Decrease)/Increase Due to State	14,825		14,825
(Increase)/Decrease Accounts Receivable	(10,235)		(10,235)
(Increase) Decrease in Loans Receivable	582,948		582,948
Net Cash Provided by Operating Activities	\$ 1,276,583	\$ 1,558,355	\$ 2,834,938

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Notes to Financial Statements
June 30, 2004
Unaudited

Note 1. Organization of The Fund

The State Revolving Fund (SRF) program was established pursuant to federal action to provide assistance to public water systems for projects that meet eligibility requirements. The SRF (the Fund) program allows the State to provide low interest rate loans with grants to finance qualified publicly owned preservation and protection projects. The United States Environmental Protection Agency (EPA) allows up to 4% of the Capitalization Grant for administration of the program and this funding allows for supervision of the program by qualified technical staff that provides project management oversight.

The Board, an eleven-member board appointed by the Governor, develops policies and procedures for program implementation and authorizes loans under the Fund program. The Department of Environmental Quality and the Board jointly manages the program, while the division reviews loan applications for eligibility, prioritizes eligible projects, monitors loan repayments, and conducts project inspections. Through Utah Code the legislature has enacted and empowers the Board with rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The Fund receives assistance and support from the Department of Environment Quality's Office of Support Services, the State Division of Finance, the State Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of the employees, as well as indirect costs based on direct salary costs, are charged to the Fund based on time spent on SRF activities. Employees charging time to the Fund are covered by the State of Utah personnel benefits plan. The Division of Finance charges loan administration fees to the program.

The Fund is capitalized by a series of grant awards from EPA. States are required by EPA to provide additional 20 percent matching funds to the federal Capitalization Grant amount.

The Fund with its activities is included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The Fund's assets, liabilities, and net assets are not separately identified in the CAFR, which uses economic resources measurement focus and accrual basis of accounting.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the State of Utah conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. As such, the financial statements are prepared using the economic resources measurements focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operation of the funds are included in the balance sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents and Investments

The State Treasurer in accordance with the Money Management Act, Section 51-7 of the Utah Code administers cash and investment management in the State. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Shares are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain investments and for External Investment Pools," which requires all investments in debt and equity securities to be reported at fair value in the balance sheet and all investment income, including changes in the fair value of investment, to be reported in the statement of revenue and expenses.

Loans Receivable

Loans are funded by 1) the federal Capitalization Grants, 2) State matching funds, 3) loan repayments, and 4) fund earnings. A project is funded through the purchase of an incremental disbursement bond. The proceeds are drawn as needed and deposited in the escrow account. Monies are disbursed to borrowers on a cost reimbursement basis. Interest begins accruing when funds are deposited in the escrow account.. Repayment must begin no later than one year after completion of the project. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are non-interest bearing. No

provision for uncollectible accounts have been made as all loans are current, and management believes that all loans will be repaid according to the loan terms.

Hardship Fee Assessments

The Board has the option to charge a hardship fee assessment in lieu of interest. Hardship fees are calculated and paid in the same manner as interest. The Program restriction for the use of hardship fees differs from the restriction for the use of interest. Hardship fee assessments are accounted for in a separate fund and can be used for purposes other than loans, including grants to disadvantage communities.

Contributed Capital

In accordance with generally accepted accounting principles (GAAP), funds received from the EPA and the State of Utah for the capitalization of the Fund are recorded as non-operating revenues.

Note 3. Cash and Cash Equivalents

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash. The Treasurer is responsible for maintaining the cash balances in accordance with the Utah Money Management Act. Utah's Money Management Act requires the Treasurer to invest these funds in a manner that: (1) ensures maximum safety of principle; (2) provides adequate liquidity to meet all operating requirements; and (3) achieves the highest possible return on investment consistent with the primary objectives of security and safety. Details of the investments of the PTIF can be obtained from the State Treasurer.

The SRF earned \$656,062 from investments in the PTIF during fiscal year 2004. Investments in local government investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

	<u>Loan Fund</u>	<u>Hardship Fund</u>	<u>Total</u>
Cash	<\$54,336>	\$166,752	\$112,416
Cash Equivalents			
(Investments)	<u>\$39,382,862</u>	<u>\$6,111,353</u>	<u>\$45,494,215</u>
Total	<u>\$39,328,526</u>	<u>\$6,278,105</u>	<u>\$45,606,631</u>

Note 4. Loans Receivable

Loans are made from the Fund to qualified entities for projects that meet the eligibility requirements. Capitalization grants, state match, interest earnings, and the revolving fund are sources that finance the loans. Effective interest rates and hardship fees on loans vary between 0.0 and 5.0 percent and are generally repaid over 20 years starting one year after the project has been complete. Loans mature at various intervals and recipients make annual payments. Additionally, based on EPA requirements, communities have participated in extended financing for projects.

Loans mature at various intervals through June 30, 2024 and the scheduled principal repayments on loans in subsequent years follow:

Year ending June 30,	Amount
2005	\$ 8,039,941
2006	8,341,607
2007	8,544,539
2008	8,634,959
2009	8,715,247
Thereafter	73,946,755
Total loans receivable as of June 30, 2004	<u>\$116,223,048</u>

The program is in compliance with the fund commitment rules.

Note 5. Due to State of Utah

Due to State of Utah balances are an aggregation of amounts due to employees for: salaries and benefits; and, vendors and miscellaneous suppliers paid by the state.

Note 6. Capitalization of the Fund

The EPA grants and the State match capitalize the Loan Fund. Loan program draws and the State match are recorded as non-operating revenues.

Through June 30, 2004, SRF Grant awards total \$129,757,894 and the State had deposited matching funds to the loan program. EPA funds of \$117,481,208 had been drawn for first round projects, project administration, and has been deposited to the loan program.

The following summarizes the cumulative capitalization of the loan fund.

State Fiscal Year	Cummulative Grant Amount	Cummulative EPA Draws Thru June 30, 2004	Cummulative State Match Deposits
2004	\$122,804,294	\$117,518,198	\$24,560,858

As of June 30, 2004, \$5,286,096 of funds allocated to the SRF loan program has not been drawn.

Note 7. Contingencies and Subsequent Events

- The SRF is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing SRF business, or acts of God.
- The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the Fund.
- On November 26, 2004, funds in the amount of \$487,000, for the Twin Creeks SSD loan, were transferred in from state funds to replenish amounts previously disbursed from the State Revolving Fund. This change in fund source came about from environmental requirements, which were more applicable for state fund usage.
- On July 8, 2004, the 2004 Capitalization Grant was awarded. Grant funds were still available from the 2003-year award, which postponed the need for 2004 monies. The 2004 award has not been included in these financial statements.
- On December 1, 2004, State General Funds of \$200,000 were transferred out of the State Revolving Fund. These funds were no longer needed for match due to a change in the funding source for Central Davis SD.

Authorized Projects

As of June 30, 2004, the Board had approved funding authorizations for five communities totaling \$16,632,000 for loans that have not closed:

	<u>Authorized Loan Amount</u>
Moroni City	\$ 2,635,000
Stockton Town	1,870,000
Twin Creeks SSD	487,000
North Fork SSD	1,640,000
Hooper City	<u>\$ 10,000,000</u>
Total Outstanding Commitments	<u>\$16,632,000</u>

DON A. OSTLER NAMED EXECUTIVE DIRECTOR AND SECRETARY OF UPPER COLORADO
RIVER COMMISSION



The Upper Colorado River Commission had selected Don A. Ostler to be its Secretary and Executive Director of its staff, headquartered in Salt Lake City, Utah. Mr. Ostler replaces Wayne E. Cook, who retired in March 2004 after more than 13 years of service with the Commission. Don began his service with the Commission on Monday, May 17, 2004. He assumed his duties as Executive Director and Secretary at a time when many critical policy decisions needed to be made as the Colorado River Basin States respond to a diminishing water supply resulting from six years of drought.

The Commission administers the Upper Colorado River Basin Compact, signed in 1948 by representatives of the States of Arizona, Colorado, New Mexico, Utah and Wyoming and the United States. The major purpose of the Compact is to provide for the equitable division and apportionment of the use of the waters of the Colorado River System. Further, the Colorado River Compact of 1922 apportioned this water use in perpetuity to the Upper Basin. The Commission is made up of one Commissioner selected by the Governors of the States of Colorado, New Mexico, Utah and Wyoming and one Commissioner appointed by the President of the United States, who serves as the Commissions chairman.

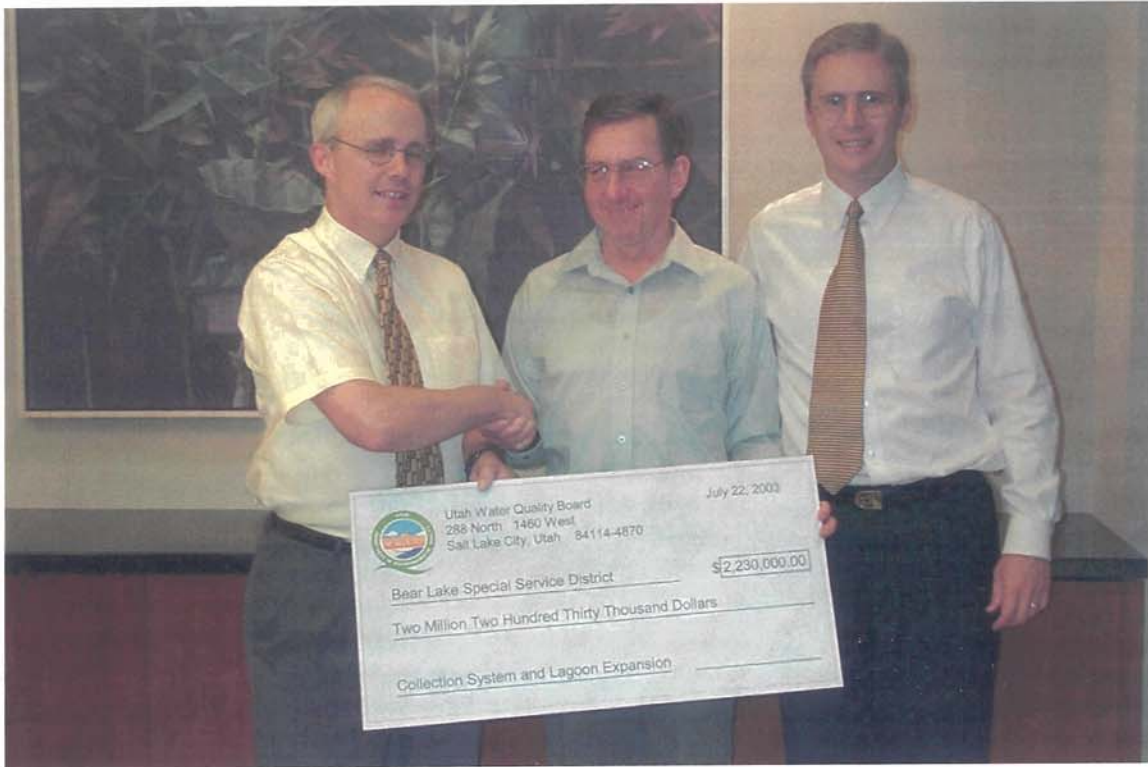
Mr. Ostler said that he is extremely excited to begin work on Colorado River issues and to provide service to the member states of the Upper Colorado River Basin. It is a great privilege to work on these issues that may very well define the future of this region.

Don worked for the Utah Bureau of Water Pollution Control from 1972 until 1987, when he became Director of the Utah Division of Water Quality. Mr. Ostler announced his resignation May 10, 2004 after 32 years of service with the State of Utah. He provided leadership in the development of projects and programs to protect and improve water quality in Utah, including implementation of the Clean Water Act and development of the state Groundwater Protection Program. Recognizing the value of "National Standards, but Neighborhood Solutions," Don and other state, federal and private partners developed a state program to reduce pollution from animal feeding operations, which has become a model for the federal regulatory program. Also, Mr. Ostler had been involved in the administration of various programs such as providing funding for millions of dollars of wastewater project construction and development of watershed protection plans.

Don had served during his career as; president of the Association of State and Interstate Water Pollution Control Administrators, chairman of the Bear River Commission's Water Quality Committee, and member of the University of Utah's Civil Engineering Advisory Committee. He has also chaired the Western States Water Council's Water Quality Committee and is a member of the Utah Soil Conservation Commission. Mr. Ostler is currently serving on the Colorado River Basin Salinity Control Forum. He was recently nominated by the American Academy of Environmental Engineers as one of eight nominees to the Utah Engineers Council for the 2004 Engineer of the Year award. Don had also received a public service award from the Water Environment Association. Mr. Ostler has a bachelor's degree and a master's degree in civil engineering from the University of Utah. He has been a registered professional engineer since 1975. Don and his wife Kathy reside in Bountiful, Utah and have three children and one grandchild.

Bear Lake SSD Loan Closing at Ballard Spahr Andrews & Ingersoll, LLP

**Suite 600, One Utah Center
201 South Main Street
Salt Lake City, UT 84111-2221**



Walter L. Baker (*Left*)

David E. Stringham (*Middle*)

Eric T. Johnson (*Right*)

Award presentation for \$2,230,000 to Bear Lake SD for the design and construction of a new centralized wastewater collection system along the southeast shoreline of Bear Lake, lift station, force main, and an incremental portion of a lagoon expansion project.

NORTH DAVIS SEWER DISTRICT BOARD MEETING

4252 West 2200 South
Syracuse, UT 84075



Ivan D. Anderson, Board Chairman (*Left*)

Karin L. Tatum (*Right*)

Award presentation for \$20,000,000 to North Davis SD for the construction of its wastewater treatment facility upgrade project.